



re/think

# UAE CORPORATE TAX: DOMESTIC MINIMUM TOP- UP TAX ("DMTT") IN THE UAE

SUMMER 2026

# Introduction



## To whom does DMTT apply?

The DMTT imposes a jurisdictional-level Top-up Tax on **UAE Constituent Entities (CEs) and Joint Ventures (JVs)** that are part of a multinational enterprise (MNE) group. This ensures that the group's profits in the UAE are taxed at a minimum effective tax rate (**ETR**) of 15%. The tax applies when the combined ETR of UAE-based CEs or JVs within an MNE group falls below this threshold.

An MNE group is defined as one that operates in at least two **jurisdictions and meets the EUR 750 million revenue threshold**.



## When does it apply?

Effective for the financial year beginning on or after 1 January 2025



## Ongoing Obligations and Penalties

- All CEs / Domestic Designated Filing Entity to **register** with the FTA within such time as shall be prescribed
- Top-up Tax Return (**template to be provided by FTA**) to be filed by all CEs or only by the Domestic Designated Filing Entity within 15 months from end of FY (18 months in case of Transition Year)
- **Pillar Two Information Return (OECD Template)** to be filed by specified entities within 15 months from end of financial year. Top-up Taxes to be paid on the date on which Top-up Tax Return is due
- Joint and several liability for the payment of taxes
- Groups must retain all relevant records, documents, and financial data used to assess their DMTT liability for a period of **seven years following the conclusion of the applicable tax period**
- The penalty framework will align with the UAE Corporate Tax Law and will include the following penalties:
  - » Failure to maintain required record: AED 10,000 for the first instance, increasing to AED 20,000 for subsequent violations and Non-submission of documents in Arabic upon request: AED 5,000
  - » Late filing of the tax return: AED 500 per month for the first 12 months, increasing to AED 1,000 per month from 13th month onward
  - » Failure to Pay the due tax amount: A 14% annual penalty on the outstanding amount calculated monthly
  - » Submission of an incorrect tax return: AED 500 penalty, unless corrected before the submission deadline

# High-level UAE DMTT Applicability

## Excluded Entities

- The following entities are excluded from the application of the DMTT rules:
  - » Governmental entities, International organizations and Non-profit organizations
  - » Pension funds and Investment funds that are ultimate parent entities
  - » Real estate investment vehicles that are ultimate entities
  - » Entities held by Excluded entities (95%/85% test)
  - » **Excluded Entities are not liable for the Top-up Tax on their income. However, their revenue will still be taken into account when assessing whether an MNE Group meets the EUR 750 million revenue threshold**

## Income & Substance-based exclusions

- Certain kinds of dividend income and capital gains excluded from GloBE Income
- **International Shipping Income** and Qualified Ancillary International Shipping Income shall be excluded from GloBe Income
- 7.40% of carrying value of tangible assets and 9.40% of payroll costs, both phasing down to 5% from 2033 will create the **Substance based Carve-Outs**
- The Top-up Tax is considered nil where the aggregate average revenue in the UAE is below EUR 10m and the average DMTT Income or Loss does not exceed EUR 1m for the current and two prior fiscal years. **Revenue of certain entities** (Excluded, Investment, Stateless) are not taken into consideration in the above threshold.
- Safe harbor and other transitional reliefs may lead to nil top up tax provided conditions are met

## Allocation and liability of Top-up Tax

- The Top-up Tax is distributed among Constituent Entities (CEs) and Joint Ventures (JVs) based on their respective Pillar Two income
- All UAE-based CE's including Minority-Owned Constituent Entities (MOCEs), and Reverse Hybrid Entities are jointly and severally liable for the total DMTT obligation of CEs within the same MNE Group
- Any partner, beneficiary, or individual holding an Ownership Interest in a CE that is not a legal entity, established under UAE law and subject to the Top-up Tax, is jointly and severally responsible for paying the tax, limited to their Ownership Interest in that entity

# Other matters to consider

MNE Groups must take prompt action to comply with the DMTT Rules. This includes determining whether they fall within the scope, calculate provision for top up tax, presenting necessary disclosures in the financial statement for FY 2025. Registration and compliance, if required pursuant to guidelines published by the relevant authorities. Additionally, MNE should review their transfer pricing policies and ensure adherence to compliance requirements throughout the year. Below are key steps that need to be taken to meet legal obligations.

## Assessment

MNE Groups and JVs (including JV Subsidiaries) should first determine if they fall under the DMTT rules. This includes conducting an impact assessment and identifying any data or system gaps to understand financial and operational effects. They should check for available safe harbours or exclusions, confirm if registration is needed, and take necessary steps to meet compliance, reporting, and payment requirements, along with any financial statement disclosures.

Engaging key business functions such as finance, legal, tax and investment teams — is essential to ensure awareness and alignment in addressing DMTT obligations.

## Financial Year Disclosure Requirements and Registration

MNEs must comply with IAS 12 for Pillar Two disclosures. The DMTT Rules may require updates to FY25 financial statements before finalization. At a minimum, in-scope groups should disclose their Pillar Two assessment for FY25.

MNE Groups in scope of the DMTT must complete the registration with the FTA within the prescribed deadline (yet to be published by the FTA). Penalties may be imposed for failure to register in a timely manner.

MNE Groups must map intercompany transactions, review and update transfer pricing policies to ensure compliance with the Arm's Length principle.

## Use Assessment for Compliance Planning and Execution

**Interim Reporting:** Disclose required financial information and provisions for interim period.

**Year-End Compliance:** Develop a roadmap to meet tax and financial reporting obligations, including DMTT filing, tax liability assessment, and refund considerations.

**Provisioning:** Establish processes to calculate and report DMTT liabilities in line with statutory requirements.

**Qualifies CbCR:** Ensure CbCR meets qualifying criteria to access transitional Safe Harbour reliefs.

# Meet the Experts



**Keerthi Voodimudi**  
Partner & Senior Director - Tax

✉ [keerthi.voodimudi@rethink-hq.com](mailto:keerthi.voodimudi@rethink-hq.com)  
☎ +971 52 455 1325

**Core Focus**

- Tax Strategy and Optimization
- UAE Corporate Tax Advisory
- UAE VAT Advisory
- Tax Compliance & Return Management
- Tax Policy & Framework Design
- Tax Structuring for Investment Holding Structures
- Transaction Due Diligence
- FTA Audits & Disputes
- Substance & Free Zone Compliance



**Amisha Anil**  
Director - Tax

✉ [amisha.anil@rethink-hq.com](mailto:amisha.anil@rethink-hq.com)  
☎ +971 50 801 0768

**Core Focus**

- UAE Tax Advisory Advisory
- Tax Planning and Optimization
- Tax Due Diligence and Tax Audit Support
- International Tax Advisory and Permanent Establishment Risk Assessment



**Keshav Jha**  
Tax Manager

✉ [keshav.jha@rethink-hq.com](mailto:keshav.jha@rethink-hq.com)  
☎ +971 56 765 9422

**Core Focus**

- UAE Tax Advisory
- International Tax Advisory
- Tax Planning and Compliance
- Tax Audit Support



**Kriti Kaushik**  
Tax Manager

✉ [kriti.kaushik@rethink-hq.com](mailto:kriti.kaushik@rethink-hq.com)  
☎ +971 50 269 9005

**Core Focus**

- UAE Corporate Tax Advisory and Compliance
- Tax Planning and Optimization
- Tax Due Diligence
- Tax Audit Support
- International Tax Advisory



**Re/think** is an award-winning regional multi-service business advisory and outsourced services firm providing accounting, regulatory and compliance, tax and VAT advisory, audit, HR consultancy and recruitment services to regulated firms, multi- and single-family offices, and other operating businesses.

Established in the UAE in 2014, the firm has 80 staff across three offices in Dubai and Abu Dhabi providing clients with timely, proactive and customized business solutions – from set-up and early development to the latest stages of a business lifecycle.

# re/**think**

... the way you run your business

[www.rethink-hq.com](http://www.rethink-hq.com)

